

Message Text

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ACTION EUR-25

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E.O. 11652: NA

TAGS: PFOR EGEN ETRD EEC US OVIP (PRTOLI,
FRANCOIS X.)

SUBJ: ORTOLI'S MEETING WITH SECRETARY KISSINGER
SEPTEMBER 27

REF: (A) EC BRUSSELS 7161; (B) EC BRUSSELS 6747:
(C) EC BRUSSELS 7166

1. SUMMARY: WHEN HE SEES THE SECRETARY, ORTOLI
IS APT TO BE PREOCCUPIED BY TWO INTERRELATED SETS
OF ISSUES: (A) DEVELOPMENTS IN THE EUROPEAN COMMUNITY
LOOKING TOWARD A SUMMIT MEETING BY YEAR'S END AND (B)
THE CURRENT EUROPEAN AND INTERNATIONAL ECONOMIC
SITUATION AND THE PROBLEMS THIS POSES FOR EUROPE,
FOR ATLANTIC RELATIONS, AND FOR THE LDCS. BILATERAL
US-EC RELATIONS ARE PRESENTLY IN GOOD SHAPE. THE
SECRETARY MAY WISH PARTICULARLY TO TOUCH ON THE TRADE
NEGOTIATIONS, ENERGY AND THE ASSOCIATED COMPLEX OF
INTERNATIONAL ECONOMIC ISSUES, AND THE EURO-ARAB
DIALOGUE. END SUMMARY.

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2. EUROPEAN COMMUNITY DEVELOPMENTS: EC COMMISSION PRESIDENT ORTOLI'S CURRENT ATTITUDES AND BEHAVIOUR ARE CONDITIONED BY THE MANEUVERING AND DEBATE WITHIN THE COMMUNITY LOOKING TOWARD A FORMAL SUMMIT MEETING AFTER THE UK ELECTIONS. THE NINE HEADS OF GOVERNMENT INCLUDED ORTOLI IN THEIR PARIS DINNER DISCUSSION ON SEPTEMBER 14. WE BELIEVE THEREFORE THAT, DESPITE SCHMIDT'S RECENT ATTACKS ON THE COMMISSION'S "SWOLLEN BUREAUCRACY", ORTOLI AND HIS COLLEAGUES WILL PLAY A SIGNIFICANT ROLE IN THE PROCESS OF TRYING TO GET THE COMMUNITY-- AND EUROPEAN POLITICAL COOPERATION-- MOVING AGAIN. ORTOLI'S SPEECH IN MAINZ ON SEPTEMBER 13 (REFTELA) IS A CLEAR EXPOSITION OF HIS IDEAS ON COMMUNITY INSTITUTIONAL PROBLEMS.

3. WITHOUT INSERTING OURSELVES INTO THE INTRA-COMMUNITY DEBATE, THE SECRETARY MIGHT WISH TO MAKE CLEAR TO ORTOLI THE CONTINUING US INTEREST IN EFFECTIVE COMMUNITY INSTITUTIONS WITH WHICH WE CAN DO BUSINESS.

4. UK RENEGOTIATIONS: THE GENERAL COMMUNITY MOOD-- UNDOUBTEDLY SHARED BY ORTOLI-- IS ONE OF HOPING THE BRITISH WILL STAY IN, COUPLED WITH STRICTLY LIMITED WILLINGNESS TO MAKE CONCESSIONS TO WILSON. THERE IS GROWING REALIZATION THAT UK WITHDRAWAL IS A REAL POSSIBILITY. IN ANY CASE, ORTOLI WOULD LIKE THE ISSUE RESOLVED ONE WAY OR ANOTHER IN THE REASONABLY NEAR FUTURE LEST IT SERVE AS A DRAG ON THE COMMUNITY. THE LOW US PROFILE ON THE UK MEMBERSHIP ISSUE--WITH CLEAR STATEMENTS OF SUPPORT FOR EUROPEAN UNIFICATION--STILL SEEMS BEST IN TERMS OF OUR RELATIONS WITH THE COMMISSION AND WITH WESTERN EUROPE GENERALLY.

5. THE EC AND GREECE: THE COMMISSION HAS WARMLY WELCOMED THE POLITICAL CHANGE IN GREECE. ORTOLI AND THE OTHER COMMISSIONERS ARE GOING OUT OF THEIR WAY TO HELP KARAMANLIS WITH PUBLIC STATEMENTS AND WITH ACTION TO UNFREEZE THE EC-GREEK ASSOCIATION AGREEMENT, INCLUDING SOME FINANCIAL ASSISTANCE. ORTOLI WAS EXTREMELY PLEASED TO LEARN THAT WE TAKE A FAVORABLE VIEW OF CLOSE GREEK TIES LIMITED OFFICIAL USE

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WITH THE COMMUNITY (REFTEL B).

6. US-EC RELATIONS AND TRADE ISSUES: ORTOLI'S MEETING WITH THE SECRETARY COMES AT A TIME WHEN BILATERAL US-EC RELATIONS ARE RELATIVELY UNTRoubLED BY SPECIFIC ECONOMIC DISPUTES AND MORE HARMONIOUS THAN THEY HAVE BEEN FOR SOME TIME. IT IS POSSIBLE THAT ORTOLI MAY MENTION THE CHEESE SUBSIDY/COUNTERVAILING DUTY ISSUE THAT HE AND

SOAMES DISCUSSED WITH THE SECRETARY IN BRUSSELS ON JULY 4. THE PROBLEM IS QUIESCENT BECAUSE OF THE COMMUNITY'S SUSPENSION OF SUBSIDIES ON EXPORT TO THE US, BUT IT IS NOT DEFINITELY SETTLED AND COULD BLOW UP AGAIN LATER THIS YEAR.

7. ORTOLI WILL BE AWARE OF THE MAJOR IMPROVEMENT IN OUTLOOK FOR PASSAGE OF THE TRADE REFORM ACT AND OF THE SECRETARY'S KEY ROLE IN SOLVING THE TITLE FOUR PROBLEM. THE SECRETARY MAY WISH TO EMPHASIZE TO ORTOLI THE ADMINISTRATION'S DETERMINATION TO PROCEED WITH THE MULTILATERAL TRADE NEGOTIATIONS. SPECIFICALLY, IT WOULD BE HELPFUL TO MENTION THE IMPORTANCE WE ATTACH TO CLOSE COORDINATION BETWEEN THE US AND THE COMMISSION SO THAT PREPARATION TO OUR RESPECTIVE POSITION FOR THE NEGOTIATIONS CAN BE SYNCHRONIZED.

8. INTERNATIONAL ECONOMIC SITUATION: ORTOLI, LIKE ALL WESTERN EUROPEAN LEADERS, IS WORRIED BY THE INTERNATIONAL ECONOMIC SITUATION. AND, LIKE THE OTHERS, HE HAS FEW SPECIFIC NEW IDEAS FOR COPING WITH SUCH PROBLEMS AS INFLATION, PETROLEUM PRICES, RAW MATERIAL AND FOOD SHORTAGES, BALANCE-OF-PAYMENTS DEFICITS, AND SIMILAR MATTERS. ORTOLI--WHO WILL HAVE TALKED WITH A GROUP OF BANKERS IN NEW YORK PRIOR TO HIS WASHINGTON VISIT-- WILL BE DEEPLY INTERESTED IN THE US ECONOMIC OUTLOOK AND THE ADMINISTRATION'S POLICY PLANS. LIKE OTHER EUROPEAN LEADERS, ORTOLI IS LIKELY TO BE AMBIVALENT-- HOPING THAT THE US WILL GET ITS INFLATION UNDER CONTROL BUT FEARING THE EFFECTS ON EUROPE SHOULD THE US DEFLATE.

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9. COMMUNITY LOAN: THE COMMISSION SEEMS TO BE MAKING HEADWAY WITH THE NINE GOVERNMENTS IN A FEW SPECIFIC AREAS BEARING ON THE ECONOMIC SITUATION. ITS PROPOSAL FOR FLOATING A COMMUNITY LOAN TO HELP MEMBER STATES IN BALANCE-OF-PAYMENT DIFFICULTIES HAS BEEN PARTIALLY TAKEN OVER BY FRANCE AND PROSPECTS LOOK REASONABLY GOOD FOR SOME ACTION THIS YEAR. ON THIS MATTER, AS ON SO MANY OTHERS, A MAJOR DIFFICULTY STEMS FROM THE FACT THAT "COMMUNITY" SUPPORT FOR COUNTRIES IN TROUBLE -- SUCH AS ITALY -- BOILS DOWN EXCLUSIVELY OR PRIMARILY TO GERMANY MONEY.

10. FOOD: THE EC COMMISSION CONTINUES TO BE CONCERNED ABOUT THE FOOD, FERTILIZER AND OTHER NEEDS OF THE "MOST SERIOUSLY AFFECTED" LDTS. IT HAS EVEN PROPOSED THAT AN INITIAL PART OF THE \$500 MILLION IT WANTS THE COMMUNITY TO CONTRIBUTE FOR THE MSAS BE DISPERSED WITHOUT AWAITING FURTHER DEVELOPMENTS IN THE UN. THE COMMISSION'S ABILITY TO PERSUADE THE MEMBER STATES TO CONTRIBUTE FOOD AID IS HAMPERED BY DISORGANIZATION OF EUROPEAN AGRICULTURAL MARKETS CHARACTERIZED BY THE ANOMALY OF LIMITED OFFICIAL USE

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A BEEF SURPLUS AND A TIGHT SUPPLY SITUATION FOR GRAINS. ORTOLI WILL BE VERY SENSITIVE TO ANY SIGNS THE ADMINISTRATION MIGHT WEAKEN IN ITS OPPOSITION TO EXPORT CONTROLS ON CORN OR SOYBEANS.

11. WE HAVE OBSERVED NO CHANGE IN ORTOLI'S VIEW FAVORING COMMODITY AGREEMENTS AND SOME MANAGEMENT OF MARKETS NEGOTIATED THROUGH THE MTN AS A MAJOR PART OF THE ANSWER TO THE WORLD'S AGRICULTURAL PROBLEMS. NOR HAVE WE SEEN ANY GREATER PRECISION IN THE COMMISSION'S THINKING SINCE THE SECRETARY LAST SAW ORTOLI.

12. EURO-ARAB DIALOGUE: WHILE THE NINE GOVERNMENTS HAVE THE MAJOR RESPONSIBILITY, THE EC COMMISSION PARTICIPATES IN THE SO-CALLED EURO-ARAB DIALOGUE. ALTHOUGH THIS INITIATIVE IS STILL IN A PROCEDURAL STAGE, THE MEETINGS ARE GOING AHEAD. THE SECRETARY MAY WISH

TO REMIND ORTOLI OF OUR EXPECTATION THAT WE WILL
BE KEPT INFORMED AND CONSULTED TO AVOID THE SUBSTANTIVE
RISKS AND POLITICAL FRICTIONS THAT DEVELOPED LAST
WINTER.

13. ENERGY: THE NINE HAVE NOW AGREED ON A COMMISSIONPRO-
POSAL LOOKING TOWARD A COMMON STRATEGY(REFTEL C).
THEIR STATEMENT OF PRINCIPLES IS GENERAL AND UNOBJECTION-
ABLE FROM OUR STANDPOINT. IT SPECIFICALLY ENDORSES CONSUMER
COOPERATION. BUT IT DOES NOT OF COURSE SOLVE THE
PROBLEM OF US-EC ENERGY COOPERATION STEMMING FROM THE
FACT THAT EIGHT COMMUNITY COUNTRIES ARE IN THE ECG
WHILE THE FRENCH ARE STILL OUTSIDE. THE COMMISSION
HAS FOLLOWED THE ECG WORK CLOSELY AND CAN BE COUNTED
ON TO DO WHAT IT CAN BE PROMOTE CONSUMER COOPERATION--
WITHIN THE LIMITS OF THE SITUATION CREATED BY FRENCH
POLICY.

14. URANIUM ENRICHMENT: ALTHOUGH SOME URANIUM
ENRICHMENT CONTRACTS FOR EUROPEAN UTILITIES HAVE BEEN
SETTLED SINCE THE SECRETARY LAST SAW ORTOLI, PROBLEMS
REMAIN ON OTHERS. THE COMMISSION IS STILL RAISING
QUESTIONS ABOUT OUR LONGER-RANGE ABILITY ACTUALLY TO
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SUPPLY THE COMMUNITY'S NEEDS. ROTOLI MAY THEREFORE
MENTION THE SUBJECT AGAIN.GREENWALD

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